Senate Budget & Fiscal Review
Senator Wesley Chesbro, Chair

Subcommittee No. 3
on
Health, Human Services, Labor, and Veterans Affairs

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Room 4203

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4130 Health and Human Services Agency Data Center

The Health and Human Services Agency Data Center (HHSDC) seeks to increase efficiency and effectiveness in the use of electronic data processing resources by providing services to departments and agencies within the Health and Human Services Agency in a consolidated manner. HHSDC is supported entirely by reimbursements from departments that contract with the data center for services. The HHSDC budget is increased by $16 million in spending authority, an increase of 5.2 percent.

CONSENT ITEMS:

1. Operations and Infrastructure investments

Background: The HHSDC provides computer services, telecommunications support, information systems, and training support to departments in the Health and Human Services Agency. The budget provides $117.6 million to fund HHSDC operations.

Governor's Budget: The **budget decreases the HHSDC's overall spending authority from $132 million in 2002-03 to $122 million.** The budget provides some increases to the HHSDC spending authority to fund various increased operational costs including infrastructure improvements and changes to better meet customer needs. The proposed spending authority increase will support the following activities:

a. **Purchase computer equipment and establish new positions to support the HHSDC increased activities ($4.7 million).** The increased spending authority will fund the upgrade of a shared central processing unit, augment the HHSDC enterprise disk storage capabilities, accommodate enterprise tape processing, distributed server, and UNIX growth. It will also fund fifteen new positions to accommodate the increase in the infrastructure workload and support workload growth in computing and cost recovery services.

   Subcommittee recommendation: The subcommittee considered this proposal on March 13 and referred to the "action agenda" a recommendation to deny funding.

b. **Establish an operational recovery services site to serve the Employment Development Department and the Department of Developmental Services ($1.2 million).** These services will assure that EDD can continue to operate its tax program system, Unemployment Insurance system and Disability Insurance system in case of a disaster such as a flood, fire or sabotage. The services will also permit DDS to utilize the California Developmental Disabilities Information System, which the department uses to manage service delivery and provider reimbursements, in case of a disaster. **The HHSDC states that this proposal will allow EDD to comply with a federal requirement that it establish a contingency plan to assure the use of its databases in the case of a disaster.**

   The Legislative Analyst recommends that the Legislature reduce this item by $180,000, as these funds are being requested to begin operational recovery activities that have not been requested by client departments.

The Subcommittee considered this issue on March 13 and referred to the "action agenda" a recommendation to deny funding pending a review of the federal requirement that EDD establish a contingency plan to assure the use of its databases in case of a disaster.

Staff recommendation: Adopt the LAO recommendation to reduce funding for the operational recovery site by $180,000.

c. **Increase spending authority by $4,260,000 to reflect current costs.** The Governor's Budget reduces the HHSDC spending authority by $22.9 million to capture excess spending authority for program operations. A recent Department of Finance letter states that the budgeted reduction is overstated by $4.3 million, $2.8 million of which had been previously reduced from the base, and $1.5 million related to the operation of the MEDSTAT project. **The letter requests that HHSDC's spending authority be increased to reflect actual operation costs.**

   Staff recommendation: Adopt the Finance letter request to increase the HHSDC's spending authority by $4,260,000.

2. Training Center – proposed budget bill language

Background: The HHSDC operates the state's IT training center which is used by both state and local governments. The HHSDC uses contractors to teach the training classes and only purchases contractor services after enough students have enrolled in the proposed classes. Based on past workload growth trends, HHSDC estimates that its current expenditure authority will be inadequate to meet the state's training needs.

Governor's budget: The budget **proposes budget bill language that authorizes the Department of Finance to increase the HHSDC's expenditure authority to accommodate additional training requests.**

The ***Legislative Analyst*** **recommends deletion of the proposed budget bill language** as the HHSDC already has budget bill language that authorizes the Department of Finance to increase its authority for unanticipated workload.

Subcommittee recommendation: The subcommittee considered this proposal on March 13 and referred to the "action agenda" a recommendation to delete the proposed budget bill language.

3. Statewide Automated Welfare System Consortium

Background: SAWS is a multi-program automated system that provides support to eligibility determination, benefit computation, benefit delivery, case management and management information for various health and human services programs. The system is delivered through a multiple county consortium including four consortia. (Interim SAWS, 35 counties; Los Angeles Eligibility Automated Determination, Evaluation and Reporting System; Welfare Client Data System, 18 counties; and Consortium IV, 4 counties).

The Data Center is responsible for the state-level project management of the Statewide Automated Welfare System Consortium and provides oversight for the four consortia, including review of project documents and budgets, deliverables and risk management. The HHSDC provides computing, application maintenance and operational support services for the 35 ISAWS consortium counties.

Finance Letter: A Finance Letter requests that the Legislature increase HHSDC spending authority for the ISAWS Consortium by $906,000.

The requested spending authority increase will assure that the HHSDC's spending authority is consistent with the anticipated project costs. It will not increase or otherwise modify total project costs.

Staff recommendation: Approve the Spring Finance Letter to increase HHSDC's spending authority for the ISAWS Consortium by $906,000.

4. Electronics Benefits Transfer Project – Department of Social Services' staffing

Background: Electronic Benefits Transfer (EBT) is the automation of welfare benefit authorization, delivery, redemption and reconciliation. The system will replace paper food stamp coupons and benefit checks with transfers and the use of benefits through point-of-sale devices and automated teller machines. Federal welfare reform enacted in 1996 requires states to implement EBT for food stamps by October 2002.

Due to contracting challenges, California's implementation of an EBT system has been delayed. According to the current schedule, which has been approved by the federal government, California will implement EBT fully by September 2004.

Responsibility for development and implementation of the new EBT system is divided between the Health and Human Services Data Center and the Department of Social Services. The Data Center is responsible for technical development and operation of the system. The Department of Social Services is responsible for protecting the fiscal integrity of the program and meeting federal requirements that the state have a higher degree of control in the issuance of benefits.

Governor's budget: **The budget proposes to increase the Department of Social Services' budget by $205,000 for EBT related staffing needs**. The funding increase will support the conversion of a limited term position to a permanent position and the establishment of a position to address program integrity issues, as well as the conversion of a limited term position to permanent and the establishment of a new position to provide fiscal oversight.

Subcommittee recommendation: The subcommittee considered this proposal on March 13 and referred to the "action agenda" a recommendation to deny the new positions and the accompanying funding.

5. Statewide Fingerprint Imaging System (SFIS)
Background: State law requires DSS and the Data Center to design, implement and maintain a system for gathering a fingerprint image for applicants for and recipients of CalWORKs. The law also establishes imaging as a requirement of eligibility for CalWORKs and a condition of issuance for Food Stamps. California's Statewide Fingerprint Imaging System was designed and implemented to meet the state law requirements.

SFIS works to identify duplicate applicants for CalWORKS and Food Stamps benefits. It seeks to protect program integrity by deterring or detecting duplicate-aid fraud. SFIS matches fingerprint images of program applicants against a database containing fingerprint images of existing program participants. **California has spent $53.7 million on SFIS and continuing program costs are estimated to be $10.7 million per year.**

The California State Auditor recently evaluated the level of fraud detected through SFIS, the level of fraud deterrence resulting from the system and SFIS's deterrence of eligible applicants, and the system's cost-effectiveness. **The Auditor concludes that the level of detected duplicate-aid fraud has been very small, and that there is insufficient evidence to substantiate SFIS's cost-effectiveness.** The Auditor also concludes that the system may run counter to legislative and federal efforts to increase participation in the Food Stamps Program among eligible individuals.

The Department of Social Services disagrees with the Auditor in a number of ways, including its estimate of the system's cost effectiveness. DSS argues that the budget assumes $68.6 million in savings as a result of fraud deterred by SFIS. The department estimates that the lost savings due to termination of SFIS would be significantly lower than the assumed savings due to an assumed gradual return of the deterred caseload.

Governor's Budget: The budget **includes $10.7 million in funding for ongoing maintenance and operation of the SFIS system.**

Subcommittee recommendation: The subcommittee considered this issue on March 13 and referred to the "action agenda" a recommendation to eliminate SFIS for savings of $10.7 million.

ITEMS FOR DISCUSSION

1. Report on Efforts to Lower Costs and Rates

Background: The Supplemental Report of the 2002 Budget Act directed the HHSDC to perform a study to identify operations that should be improved and would result in reduced rates and costs. The information contained in this report may assist the Data Center and the Legislature in identifying efficiencies and reducing costs. The Budget did not specify a due date for the required report. The HHSDC testified before the Subcommittee that it would not complete the report until June or July 2003.

The Legislative Analyst comments in her analysis that unlike other departments whose budgets are based on reimbursements, the HHSDC has not proposed reductions to its spending authority outside those linked to the statewide elimination of vacant positions and adjustments for completed projects. For example, the Department of General Services decreases its spending authority by $17 million in the budget year. The HHSDC does not propose similar decreases to its spending authority.

The Data Center reports that it reduced rates by 9.6 percent in November 2000. HHSDC also expects to reduce the rates it charges departments by approximately 8 percent in the budget year based on projected increases in utilization and administrative savings. The Data Center reports that its rate decrease is contingent on the data center having sufficient expenditure authority to accommodate the increased utilization.

Budget issue: Does the Subcommittee wish to adopt budget control language which requires the HHSDC to reduce its rates effective July 1, 2003 and to adopt a reduction in spending authority commensurate with the required rate reduction?

4170 Department of Aging

The Department of Aging (CDA) is the state agency designated to coordinate resources to meet the long term care needs of older individuals, to administer the federal Older Americans Act and the State Older Californians Act, and to work with Area Agencies on Aging to serve elderly and functionally impaired Californians. The Department provides services under (1) Senior Nutrition Services; (2) Senior Community Employment Services; (3) Supportive Services and Centers; and (4) Special Projects. The Department's **budget is reduced by $2.2 million (1.2 percent)** in the budget year. The **General Fund contribution** to the Department **is reduced by $6.4 million or 16.7 percent.**

CONSENT ITEMS:

1. Respite Registry Program Elimination

Background: The Respite Registry Program provides temporary or periodic services to frail or elderly adults with functional impairments to relieve persons who are providing care, recruits and screens providers, and matches respite providers to clients. The program began as a pilot project in 1996 and it was expanded statewide in 1998-99. Today the program operates at 16 sites throughout the state.

According to the Department of Aging, the Respite Registry program received 2,875 contacts in 2001-2002. Of these, 1,438 resulted in successful matches. It is not known how many providers are currently registered with the program.

Governor's Budget: The budget **proposes to eliminate funding for the Respite Registry Program for savings of $135,000 and proposes legislation to eliminate the statutory authority for the program.**

Subcommittee recommendation: The subcommittee considered this proposal on March 6 and referred to the "action agenda" a recommendation to approve the proposed reduction and adopt legislation to make program implementation contingent on a budget appropriation.

2. Senior Companion Program elimination

Background: The Senior Companion Program supports the delivery of volunteer light respite care and peer support services to frail elderly individuals, helping them live independently and remain in their homes. The Program provides a modest stipend to volunteers who are 60 years of age or older, who are low-income with an annual income at or below 12,000 per year, and who provide at least 20 hours of volunteer services per week. Last year, 474 seniors provided 317,000 hours of service to 3,059 seniors.

Governor's Budget: The budget proposes to **eliminate funding for the Senior Companion Program for savings of $2 million and proposes legislation to eliminate the statutory authority for the program.**

Subcommittee recommendation: The subcommittee considered this proposal on March 6 and referred to the "action agenda" a recommendation to approve the proposed reduction and adopt legislation to make program implementation contingent on a budget appropriation.

3. Foster Grandparent Program Elimination

Background: The Foster Grandparent Program supports the delivery of volunteer services to children with special needs. Foster Grandparent volunteers are low-income, sixty years of age or older, and are not members of the regular workforce. They volunteer twenty hours per week. Volunteers receive a modest stipend, a free meal or meal reimbursement on each day of service, and an annual free physical examination. Last year, 313 volunteers provided 197,000 hours of service to 4,770 special needs children.

Governor's Budget: The budget is proposing to **eliminate funding for the Foster Grandparent Program for savings of $1.1 million and proposing legislation to eliminate the statutory authority for the program.**

Subcommittee recommendation: The subcommittee considered this proposal on March 6 and referred to the "action agenda" a recommendation to approve the proposed reduction and adopt legislation to make program implementation contingent on a budget appropriation.

4. Senior Wellness and Prevention Media Campaign (StayWell)

Background: The Senior Wellness and Prevention Media Campaign (StayWell) promotes wellness by providing information on healthy aging practices to seniors, their families, caregivers, and health professionals. Program funding has supported the development and implementation of the public education campaign to provide information to aging Californians about physical fitness, nutrition, physical and mental health.

Governor's Budget: The Budget **proposes $495,000 in funding for the StayWell program** to support the continued publishing and distribution of a quarterly or semi-annual newsletter, the development of a poster to advertise the CDA's toll-free number for health and resources information, and translation of materials.

Subcommittee recommendation: The subcommittee considered this program on March 6 and referred to the "action agenda" a recommendation to reduce program funding by $295,000 and adopt legislation to make program implementation contingent on a budget appropriation.

5. Older American's Act Program Funding

Background: The federal Older Americans Act provides funding to support a series of programs designed to support seniors in living healthy and independent lives. The Act supports congregate nutrition meal programs, home delivered meals, ombudsman services, services to family caregivers, such as counseling and respite care, and other supportive social services, which include transportation and legal assistance.

California will receive a net increase of $1.1 million in federal Older American Act program funding in the budget year. Funding for supportive services and for congregate nutrition will decrease by $123,000 and $464,000 respectively. Funding for home-delivered nutrition, for preventive health, for the Family Caregiver Support Program, and for the State Office of Long-term Care Ombudsman will increase by $1.8 million.

Finance Letter: A Finance letter requests that the Legislature provide an increase in federal funding for Older Americans Act programs of $1,144,000.

Staff recommendation: Adopt the Finance letter to increase federal funding for Older Americans Act programs by $1,144,000.

ITEMS FOR DISCUSSION:

1. Health Insurance Counseling and Advocacy Program (HICAP)

Background: The Health Insurance Counseling and Advocacy Program (HICAP) is a consumer oriented health insurance counseling and advocacy program. It provides community education to Medicare beneficiaries, legal referrals and individual health insurance counseling and advocacy services regarding Medicare and other health insurance claims and appeals.

HICAP is funded by a combination of state and federal funds. The program receives federal State Health Insurance Assistance Program funds and a Medicare+Choice Program grant. It also receives state funds from the HICAP fund and the Insurance Fund, two special funds supported by fees assessed by the state from health plans.

In 2002, the federal government discontinued the Medicare+Choice grant funding. As a result, California's HICAP program will lose $560,000 in federal funds in 2003-04. The Department of Aging argues that core HICAP staffing and responsibilities should not be interrupted by this reduction. However, several local HICAPs will experience varying levels of funding reductions.

Senate Bill 413 (Speier), a measure currently before the Senate, seeks to increase HICAP program funding by increasing available fee revenues. The bill authorizes the Department to increase the existing HICAP assessment on health plans by 20 cents and requires plans that offer Medicare supplement contracts, including Medicare Select contracts, to be subject to the HICAP assessment.

Finance Letter: A Finance letter requests that the Legislature reduce HICAP funding by $560,000 to reflect the loss of federal Medicare+Choice funds.

Subcommittee request and questions: The Subcommittee requests that the Department of Aging discuss the status of HICAP funding and the effect of the requested funding reduction on local programs and seniors.

Budget Issue: Does the Subcommittee wish to adopt the requested funding reduction?

4200 Department of Alcohol and Drug Programs

The Department of Alcohol and Drug Programs (DADP) receives and disburses federal and state alcohol and drug funds to plan, develop, implement and evaluate a statewide system for alcohol and other drug intervention, prevention, detoxification, treatment and recovery services. The Department is the lead agency in the implementation of Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000). In FY 2002-03 the Department estimates that, through its county partners, services will be delivered to 347,800 persons. Appropriations in the budget year are proposed to decrease by $91.3 million (15.8 percent) due to the proposed realignment to counties of alcohol and drug services.

CONSENT ITEM:

1. Safe and Drug Free Schools and Communities Grant

Background: The Safe and Drug Free Schools and Communities grant funds a variety of statewide mentor programs, such as Friday Night Live Youth Mentoring. The grant also funds multiple alcohol and drug abuse prevention programs operating across the state and support the provision of technical assistance to statewide alcohol and drug prevention organizations and providers. The Department of Alcohol and Drug Programs awards funds to counties and local programs through interagency agreements and direct contracts.

Finance Letter: A Department of Finance letter requests that the Legislature increase DADP's federal expenditure authority for local assistance by $1,680,000. The increased funding will be distributed to counties through competitive grant awards for a variety of local alcohol and other drug prevention programs.

Staff recommendation: Adopt the Finance Letter to increase DADP's federal expenditure authority for local assistance by $1,680,000.

Budget issue: Does the Subcommittee wish to adopt the funding increase requested by the Administration in the spring Finance letter?

5175 Department of Child Support Services

The Department of Child Support Services (DCSS) administers the child support enforcement program operated by local child support agencies. The Department provides state direction to assure that child support amounts are established, collected, and distributed to families. The Department continues to have responsibility for addressing federal fiscal sanctions related to California's failure to develop a single statewide automation system. The department oversees local program and fiscal operations, administers the federal Title IV-D state plan for securing child support, and establishes performance standards for California's child support program.

CONSENT ITEM:

1. Federal fund authority for Franchise Tax Board Child Support Collections

Background: Since 1993, the Franchise Tax Board has been responsible for the collection of child support delinquencies. FTB developed the Consolidated Debt Collection System to accomplish this task. Over time, legislation mandated additional and different collection types of activities to also use this collection system. In 2002, the FTB developed the Child Support Replacement Project to move the existing child support functionality to a new platform with increased capacity.

A recent Department of Finance letter requests that the Legislature provide a $2.87 million augmentation of federal funds to fully support FTB's collection efforts and the recent Child Support Replacement Project.

Subcommittee recommendation: The Subcommittee considered this issue on April 10 and referred to the "action agenda" a recommendation to approve the requested increase in federal funds to the FTB for child support collection activities.

ITEM FOR DISCUSSION:

1. Program performance

Background: In 1999, **the Legislature enacted and the Governor signed Senate Bill 542 (Burton) and Assembly Bill 196 (Kuehl) to significantly reform California's child support system.** The measures sought to improve system accountability to children and their custodial and non-custodial parents, increase enforcement of child support and medical support orders, increase collections and assure statewide uniformity in the operation of child support programs. The legislation established the Department of Child Support Services to administer and perform necessary functions to establish, collect and distribute child support. They mandated the establishment of local child support agencies and required DCSS to develop uniform policies and procedures to govern local programs.

Since its establishment in 2000, the department has worked to develop and improve California's child support infrastructure, ensure statewide uniformity in the child support program and improve program performance.

California has generally improved its performance on federal outcome standards, although performance continues to vary significantly among counties. The federal standards consider paternity establishment, establishment of child support orders, collections on current orders, past-due collections and cost-effectiveness.

California performed significantly above the national average on the establishment of paternity and the percent of cases with a child support order. California's performance is about the national average on collection arrears.

California's performance on cost-effectiveness is significantly below the national average. California collected $2.60 per each dollar expended on collection efforts compared to the national average of $4.18. The budget assumes a ratio of $2.44 in collections for each dollar spent on collection activities. California provides baseline compensation to counties at a level comparable to 13.6% of the estimated level of collections adjusted to reflect county expenditures and available General Fund resources. This compensation constitutes the state's contribution for child support administration and is subject to a federal match of 2 to 1.

Although California has improved program performance and increased collections, its performance on current collections is below the national average. The state also continues to have a significant amount of uncollected child support payments. The state's current arrearage exceeds $17 billion dollars. A significant portion of that arrearage is owed to the state as compensation for CalWORKs and foster care services delivered to families with established support orders.

California's collection arrearage continues to rise. In 1992, the state's child support arrearage was $2.5 billion. According to DCSS data, in March 2000 California had $14.4 billion in child support arrears. The rate continues to rise due in part to low current collections.

California's collections on current support orders remain significantly below the national average. California's current collections in the 2001 Federal Fiscal Year was 41 percent compared to the national average of 56 percent. Preliminary data for the 2003 Federal Fiscal Year reflects an increase in current collections to 43.8 percent in the first quarter. Relatively low current collection rates limit the resources available to low-income families and increases the state's arrearages. Essentially, today's uncollected child support payments become tomorrow's child support arrearages.

California's high child support arrears and its low rate of current collections is in part due to inaccurate child support orders. Counties reportedly establish approximately 70 percent of support orders without participation by the obligor. In these

cases, when no income information is available, the court is statutorily required to presume a child support obligor's income level at an amount that yields the "minimum basic standard of adequate care".
Presuming income provides the court information to establish the child support order and creates an incentive for noncustodial parents to cooperate with child support agencies. However, presuming income significantly higher than the noncustodial parent's income, can result in inaccurate child support orders, excessive arrearages and discourage parents from paying child support. **Inaccurate support orders and low rates of collections on current support orders limit the resources available to families and reduce the federal incentive funding received by California for the operation of the Child Support Program.**

California's collections in the budget year are estimated to exceed $2.3 billion.

Subcommittee request and questions: The Subcommittee has requested that the Department of Child Support Services respond to the following questions:

1. Please discuss the status of current collections and collections on arrears, and the factors that affect the state's performance.
2. What is California's current child support arrearage and how is it changing over time?
3. What accounts for California's relatively low collections on current support orders?
4. What are effective ways to increase collections?

Budget issue: Does the Subcommittee wish to take any actions to increase child support collections?

5180 Department of Social Services

The Department of Social Services administers a variety of programs that have four major goals: 1) providing temporary cash assistance and services to encourage low-income families with children to attain self-sufficiency by moving from welfare to permanent employment; 2) providing social services to elderly, blind, disabled and other adults and children, protecting them from abuse, neglect and exploitation, and helping families stay together and in the community; 3) regulating group homes, preschools, foster care homes, day care and residential care facilities to ensure they meet established health and safety standards; and 4) conducting disability evaluations and providing benefit payments for federal and state programs serving the aged, blind and disabled. The department's total budget decreases by $807.4 million, a decrease of 4.5 percent. General Fund appropriations decrease by $3.9 billion, or 47.7 percent.

CONSENT ITEMS:

1. Independent Adoptions Program

Background: The **Independent Adoptions Program facilitates adoptions of children when an agreement has been reached between birth and adoptive parents.** Essentially the Department of Social Services (DSS) serves as the investigative arm of the Court and makes a recommendation to approve or deny a petition for adoption. **Through the Independent Adoptions Program, the department assists in the adoption of 1,200 children each year.**

The Department of Social Services currently charges a $1,250 fee to cover part of the costs associated with its IAP activities. The fee can be waived, reduced or deferred if the department, delegated county adoption agency or the court determine that the payment would cause economic hardship to the prospective adoptive parents and would be detrimental to the welfare of an adopted child.

Governor's budget: The **budget proposes to eliminate this program to realize savings of $3.8 million.** The Governor proposes legislation to authorize private adoption agencies to assume the responsibility for completing independent adoptions.

Senate Staff Alternative: When the subcommittee considered this proposal on March 27, it directed Subcommittee staff to develop an alternative to program elimination. As an alternative to program elimination, the Subcommittee may wish to increase the fee paid by adoptive parents to $2,950, limit waivers or fee adjustments to low-income parents only, and clarify that the payment of fees is not contingent on the outcome of the application for adoption.

Budget issue: Does the Subcommittee wish to approve the proposed program elimination?

2. Maternity Care

Background: Since 1977, **the Licensed Maternity Home Program has provided residential care, counseling and maternity-related services to pregnant, unwed residents of the State who are under 18 years of age when admitted to the program.** The Department of Social Services contracts with four faith-based organizations to provide program services.

Governor's budget: The budget provides $600,000 general fund to support the program.

Subcommittee recommendation: The subcommittee considered this issue on March 27 and referred to the "action agenda" a recommendation to eliminate funding for the program for savings of $600,000.

3. Foster and Adoptive Home Recruitment Program

Background: The Foster and Adoptive Home Recruitment program supports community based organizations in recruiting individuals from underrepresented minorities to participate as foster and adoptive parents in the state's children services programs. The Department of Social Services plans to enter into four contracts with community based organizations in the budget year to fulfill the program's requirements.

Governor's budget: The budget provides $392,000 ($242,000) general fund to support the program in the budget year.

Subcommittee recommendation: The subcommittee considered this issue on March 27 and referred to the "action agenda" a recommendation to eliminate funding for the program for savings of $242,000.

4. Shift Appropriation Authority for the State Children's Trust Fund

Background: Assembly Bill 2036 (Liu), Chapter 647, Statutes of 2002, extended the sunset for the State Children's Trust Fund check-off on the income tax form for five years and provided that monies in the Fund are subject to appropriation by the Legislature. These funds support child abuse and neglect prevention and intervention programs overseen by the Department of Social Services.

Finance Letter: A Finance Letter requests that the Legislature add a new item in the amount of $155,000 to shift appropriation authority for the State Children's Trust Fund.

Staff recommendation: Adopt the Finance Letter request to add a new item in the amount of $155,000 to shift appropriation authority for the State Children's Trust Fund.

Budget issue: Does the Subcommittee wish to adopt the spring Finance Letter?

ITEMS FOR DISCUSSION

1. Reduced Frequency of Site Visits to Facilities Licensed by the Department of Social Services' Community Care Licensing Division

Background: The Department of Social Services is responsible for licensing adoption agencies, foster care agencies and homes, childcare homes and centers and residential care facilities for disabled and elderly adults. As part of its licensing function, the **Department of Social Services conducts pre- and post- licensing site visits, and visits facilities when conducting investigations regarding incident reports and complaints.** The DSS is also required to visit annually licensed foster family agencies, group homes, residential care facilities for persons with disabilities and elderly individuals, foster family homes, and childcare centers. DSS visits childcare homes triennially.

The chart below illustrates facilities visited by DSS in 2002:

Facility Type	Caseload (Dec 02)	Pre/post Licensing Visits	Annual/ Targeted Visits	Complaint/ Case Management Visits
All Residential Care Facilities (Foster Family Homes, Small Family Homes, Group Homes, Transitional Housing Placement Program, Adult Residential Care, Social Rehabilitation Facility, Residential Care Facilities for the Elderly)	16,914	3,925	7,708	10,845
Residential Care Facilities for the Chronically ill	28	3	27	14
Foster Family and Adoption Agencies	570	188	135	1,331
Adult Day Programs (Adult Day Care and Adult Day Support Center)	713	180	182	253
Family Day Care (Family Child Care Homes)	41,250	11,753	6,892	5,661
Day Care Centers (Child Care Centers for Children, Infants, School Age, and Mildly ill Children)	14,522	1,688	3,213	4,475

- FACILITY TURNOVER: The annual turnover rate is 20% of the caseload. Each newly licensed facility receives a prevention visit (pre-licensing & post-licensing inspections) in that year.
- FACILITY VISITS: The majority of visits to facilities are for purposes other than a yearly inspection (annual & targeted visits). These visits are for prevention and enforcement inspections.

Budget reductions sustained by the Community Care Licensing Division during the 1990s significantly reduced the length and thoroughness of the required annual inspections. According to the department, annual inspections have become procedural in nature and focus. The visits are virtually announced as the department solicits information necessary to conduct the visit in the month preceding the inspection.

Budget reductions sustained by the CCLD in the last two years as a result of unallocated budget cuts have curtailed further the department's licensing activities. The department has established priorities among its statutorily required activities. **It has prioritized the investigation of serious incident reports within the required 24-hour period. It has also prioritized conducting site visits for complaint investigations within the required 10-day period.** The annual or triennial visits are a lower priority.

A recent workload analysis of the CCLD conducted by an independent entity confirms the department's assessment that existing resources are insufficient to meet statutory requirements. As a result of the imbalance between available resources and required activities, the department is proposing to significantly change the existing licensing methodology.

<u>Governor's Budget:</u> The Governor's Budget proposes to **eliminate the required annual or triennial visits and proposes an alternative methodology for visiting licensees. It reduces the CCL budget by $7.6 million ($5.8 million general fund) and eliminates 57.9 permanent positions as a result of the proposed changes.** The proposed reduction of $7.6 million is comprised of a $4.5 million reduction in local assistance and a $3.1 million reduction in state operations.

The budget proposes to eliminate the requirement that licensees be visited annually or triennially and instead requires the department to visit annually the following facilities:

1. Facilities owned or operated by a licensee on probation or against whom an accusation is pending;
2. Facilities subject to a plan of compliance requiring an annual inspection;
3. Facilities subject to an order to remove a person from a facility;
4. Facilities that require an annual visit as a condition of federal financial participation such as facilities serving adults with developmental disabilities.

All other facilities would be subject to an annual inspection based on a 10 percent random sampling method. The department will continue to visit, on an annual basis, foster family agencies, adoption agencies, small family homes, adult residential facilities, residential care facilities for the chronically ill, transitional housing placement programs, childcare centers for the mildly ill, and social rehabilitation facilities.

The department estimates that proposed changes to current annual and triennial visit requirements will result in 20% of licensees being visited every year.

DSS will continue to conduct pre- and post- licensing visits, to investigate all complaints and incident reports within the required timeline, and to conduct legally required visits.

DSS comments that annual visits result in about 8 percent of the total corrective actions ordered by the department. Most corrective actions undertaken by the DSS are the result of complaints. The department argues that this proposal will enable the CCLD to focus on the oversight mechanisms most critical to assuring health and safety.

Senate Staff Alternative: The Subcommittee considered this proposal on March and directed Subcommittee staff to develop an alternative to the proposal. As an alternative to the proposal, the Subcommittee may wish to modify the Governor's proposed legislation to require DSS to visit each facility at least once every five years and to include an escalator clause which will trigger additional visits if DSS identifies a significant number of violations during visits. The Subcommittee may wish to require DSS report to the Legislature on implementation.

Budget Issue: Does the subcommittee wish to adopt the Governor's proposal or adopt the Senate option?

2. Investigation of complaints against certified family homes

Background: Foster family agencies were created in the 1980s to provide placements in a family setting as an alternative to group homes, to increase the availability of foster care placement resources, and to provide an enhanced level of services to foster children and families. They recruit, certify and contract with family homes to provide the actual placement services. The agencies are responsible for placing foster youth with the certified family homes, for monitoring the placement and for providing some case management services to the youth. Foster family agencies provide approximately 40 percent of first time foster care placements.

Foster family agencies are licensed by the Department of Social Services. As part of their license, foster family agencies are allowed to certify family homes for their exclusive use. The agencies are responsible for monitoring the homes they certify. **Historically, foster family agencies were responsible for investigating complaints filed against certified foster homes.**

High profile incidents of abuse and maltreatment of foster youth and the debate ensuing from these incidents triggered Senate Bill 933, a comprehensive legislative reform of the foster care system. SB 933 (Thompson) established rigorous licensing requirements for foster care providers, it prohibited the placement of foster youth with unlicensed out-of-state providers, and required DSS to investigate complaints filed against foster care providers. **It also transferred the responsibility for investigating complaints lodged against certified family homes from licensed foster family agencies to the Department of Social Services to avoid potential conflicts of interest.**

The department reports that **the transfer of responsibility for investigating complaints involving certified foster homes from foster family agencies to DSS has resulted in significantly more workload than initially estimated.** The Department initially estimated 11,619 complaints associated with certified family homes per year, as compared to complaints associated with 13,821 certified family homes in fiscal year 2001-2002. According to the department seventy-five percent of these complaints involve Levels 3 and 4 or less serious allegations such as confidentiality breaches, physical punishment that does not result in bodily harm, and lack of variety or distasteful food.

Governor's Budget: The budget **proposes to transfer responsibility for the investigation of less serious certified family home complaints to foster family agencies resulting in a budget year savings of $1.1 million (714,000 General Fund)**. The proposal would eliminate 26.1 PY at the State's Community Care Licensing Division.

The budget proposes to **transfer responsibility for investigating Level 3 and 4,** or less serious complaints**, to foster family agencies. DSS will review all complaints filed against a certified family home, regardless of who receives the complaint.** DSS will determine the level of the complaint and decide who will investigate the complaint based on whether the complaint is "serious" or "non-serious". DSS will refer "non-serious" complaints to foster family agencies, and will require the agencies to investigate the complaints, document their investigation, including their findings and corrective action. DSS will review the records of investigations during site visits.

DSS will continue to investigate Level 1 and 2, or serious complaints. These complaints may involve sexual abuse, physical abuse resulting in injury, suspicious death, unlicensed operation, and inappropriate sexual behavior or touching.

Senate Staff Alternative: The Subcommittee may wish to transfer responsibility for investigating Level 4 complaints to foster family agencies and increase the proposed certified family home fee to support the department's continued investigation of Level 3 complaints.

Budget issue: Does the subcommittee wish to approve the proposed transfer and adopt savings associated with the transfer?

3. Continue Limited-Term Positions to Process Disability Medi-Cal applications

Background: The Department of Social Services is responsible for determining medical eligibility for applicants for Medi-Cal programs that serve persons with disabilities including the Aged, Blind and Disabled program and the 250 percent of the federal poverty level Working Disabled and Elderly program. DSS considers medical and vocational evidence to make a determination about a person's disability status according to guidelines developed by the Social Security Administration.

Increases in the number of low-income working persons with disabilities who apply for the Medi-Cal program has increased the department's workload. DSS estimates a backlog of 8,000 cases by the end of the fiscal year.

Federal law requires states to complete eligibility determinations for persons alleging disability as a basis for Medi-Cal eligibility within 90 days. DSS reports that Medi-Cal applications generally are 100 days old before the department processes the application, clearly exceeding the federally required timelines.

Finance Letter: A Finance Letter requests an increase of $900,000 ($450,000 General Fund) to extend 10.5 limited term positions for two years to process increased Medi-Cal disability application workload.

Budget issue: Does the Subcommittee wish to adopt the requested increase?

4. Tyler v. Anderson

Background: *Tyler v. Anderson* was a class action lawsuit to overturn the Department of Social Services' policy of denying payment under certain circumstances to In-Home Supportive Services providers who provided range of motion exercises to IHSS recipients between June 1990 and May 1994. DSS settled this case and a Judgment was issued in January 1999 which required the department to inform potential claimants, receive and process claims and make payments to eligible claimants.

The department established a special unit to perform the required *Tyler* work on a limited term basis with positions expiring on June 2003. DSS has notified the majority of potential claimants and resolved 3,536 claims. However, due to a high volume of mailings returned as undeliverable, DSS has agreed to re-notice 170,000 potential claimants and resolve claims that may result from these contacts.

Finance Letter: A Finance Letter requests an increase of $270,000 general fund to extend 4 limited term positions for two years to complete additional activities under the Tyler v. Anderson settlement.

Subcommittee request and questions: The Subcommittee has requested the Department of Social Services to describe the request, discuss the need for the continuation of these positions and why the workload cannot be completed by existing staff.

Budget issue: Does the Subcommittee wish to approve the requested increase?